

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

C

WS-01689A
Clear Springs Utility Company, Inc.--Sewer Division
P. O. Box 85160
Tucson AZ 85754-0000

RECEIVED

MAR 25 2005

AZ Corporation Commission
Director Of Utilities

ANNUAL REPORT

FOR YEAR ENDING

12	31	2004
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FOR COMMISSION USE

ANN05	04
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COMPANY INFORMATION

Company Name (Business Name)	Clear Springs Utility Company—Sewer Division		
Mailing Address	P.O. Box 85160 <small>(Street)</small>		
Tucson <small>(City)</small>	AZ <small>(State)</small>	85754 <small>(Zip)</small>	
520-624-4404 <small>Telephone Number (Include Area Code)</small>	520-792-0377 <small>Fax No. (Include Area Code)</small>	 <small>Pager/Cell No. (Include Area Code)</small>	
Email Address _____			
Local Office Mailing Address	Same as above <small>(Street)</small>		
 <small>(City)</small>	 <small>(State)</small>	 <small>(Zip)</small>	
 <small>Local Office Telephone Number (Include Area Code)</small>	 <small>Fax No. (Include Area Code)</small>	 <small>Pager/Cell No. (Include Area Code)</small>	
Email Address _____			

MANAGEMENT INFORMATION

Management Contact:	Southwestern Utility Management Inc.		
 <small>(Name)</small>	 <small>(Title)</small>		
2102 N. Forbes, #107 <small>(Street)</small>	Tucson <small>(City)</small>	AZ <small>(State)</small>	85745 <small>(Zip)</small>
520-624-4404 <small>Telephone Number (Include Area Code)</small>	 <small>Fax No. (Include Area Code)</small>	 <small>Pager/Cell No. (Include Area Code)</small>	
Email Address _____			
On Site Manager: Raymond Maldonado <small>(Name)</small>			
2101 N. Forbes, #107 <small>(Street)</small>	Tucson <small>(City)</small>	AZ <small>(State)</small>	85745 <small>(Zip)</small>
520-624-4404 <small>Telephone Number (Include Area Code)</small>	 <small>Fax No. (Include Area Code)</small>	 <small>Pager/Cell No. (Include Area Code)</small>	
Email Address _____			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
351	Organization			
352	Franchises			
353	Land and Land Rights	4,654	---	4,654
354	Structures and Improvements	9,504	5,254	4,250
355	Power Generation Equipment	47,465	45,214	2,251
360	Collection Sewers – Force	267,774	244,503	23,271
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Service to Customers	6,645	574	6,071
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells			
380	Treatment and Disposal Equip.	487	49	438
381	Plant Sewers			
382	Outfall Sewer Lines			
389	Other Plant and Misc. Equip.			
390	Office Furniture and Equipment			
391	Transportation Equipment	863	863	---
393	Tools, Shop and Garage Equip.	1,115	1,031	84
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	338,507	297,488	41,019

This amount goes on the Balance Sheet Acct. No. 108

CALCULATION OF DEPRECIATION EXPENSE

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
351	Organization			
352	Franchises			
353	Land and Land Rights	4,654	---	
354	Structures and Improvements	9,504	5%	475
355	Power Generation Equipment	*47,465	5%	31
360	Collection Sewers – Force	*267,774	5%	2,660
361	Collection Sewers – Gravity			
362	Special Collecting Structures			
363	Services to Customers	6,645	5%	287
364	Flow Measuring Devices			
365	Flow Measuring Installations			
370	Receiving Wells			
380	Treatment and Disposal Equip.	487	5%	25
381	Plant Sewers			
382	Outfall Sewer Lines			
389	Other Plant and Misc. Equip.			
390	Office Furniture and Equipment			
391	Transportation Equipment**	863	5%	---
393	Tools, Shop and Garage Equip.	1,115	5%	56
394	Laboratory Equipment			
395	Power Operated Equipment			
398	Other Tangible Plant			
	TOTALS	338,507		3,534

Less: Amortization of Contributions in Aid of Construction

(552)

*Some of the costs are fully depreciated.

**All of the costs are fully depreciated.

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

2,982

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 5,253	\$ 6,306
132	Special Deposits		
135	Temporary Cash Investments	15,000	15,000
141	Customer Accounts Receivable	19,889	32,853
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	1,602	1,602
162	Prepayments		
174	Miscellaneous Current and Accrued Assets	12,382	---
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 54,126	\$ 55,761
	FIXED ASSETS		
101	Utility Plant in Service	\$ 336,991	\$ 338,507
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(294,145)	(297,488)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 42,846	\$ 41,019
	TOTAL ASSETS	\$ 96,972	\$ 96,780

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 70	\$ ---
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies	6,547	6,547
235	Customer Deposits	705	1,020
236	Accrued Taxes	218	208
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	6,000	6,000
	TOTAL CURRENT LIABILITIES	\$ 13,540	\$ 13,775
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
252	Advances in Aid of Construction	\$ 40,968	\$ 40,897
253	Other Deferred Credits		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	82,012	82,012
272	Less: Amortization of Contributions	(81,460)	(82,012)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 41,520	\$ 40,897
	TOTAL LIABILITIES	\$ 55,060	\$ 54,672
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Other Paid in Capital	656,200	656,200
215	Retained Earnings	(614,288)	(614,092)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 41,912	\$ 42,108
	TOTAL LIABILITIES AND CAPITAL	\$ 96,972	\$ 96,780

Beginning Retained Earnings	(614,288)
Net Income	5
ACC Adjustment	191
Ending Retained Earnings	<u>(614,092)</u>

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

	OPERATING REVENUES	PRIOR YEAR	TEST YEAR
521	Flat Rate Revenues	\$	\$
522	Measured Revenues	58,000	38,081
536	Other Wastewater Revenues	1,072	3,375
	TOTAL REVENUES	\$ 59,072	\$ 41,456
	OPERATING EXPENSES		
701	Salaries and Wages	\$	\$
710	Purchased Wastewater Treatment		
711	Sludge Removal Expense		
715	Purchased Power	1,344	1,417
716	Fuel for Power Production		
718	Chemicals		
720	Materials and Supplies		
731	Contractual Services – Professional	22,285	23,420
735	Contractual Services – Testing	3,237	4,924
736	Contractual Services - Other	1,603	1,838
740	Rents		
750	Transportation Expense	3,118	2,594
755	Insurance Expense		
765	Regulatory Commission Expense		
775	Miscellaneous Expense	588	1,127
403	Depreciation Expense	1,743	2,982
408	Taxes Other Than Income		
408.11	Property Taxes	3,095	3,205
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 37,013	\$ 41,507
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 638	\$ 41
421	Non-Utility Income	26	25
426	Miscellaneous Non-Utility Income		
427	Interest Expense	93	(10)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 757	\$ 56
	NET INCOME/(LOSS)	\$ 22,816	\$ 5

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$ ---	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$

COMPANY NAME

Clear Springs Utility - Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION**TREATMENT FACILITY**

TYPE OF TREATMENT (Extended Aeration, Step Aeration, Oxidation Ditch, Aerobic Lagoon, Anaerobic Lagoon, Trickling Filter, Septic Tank, Wetland, Etc.)	Aerobic Lagoon Anaerobic Lagoon
DESIGN CAPACITY OF PLANT (Gallons Per Day)	300,000 Gallons/Day

LIFT STATION FACILITIES

Location	Quantity of Pumps	Horsepower Per Pump	Capacity Per Pump (GPM)	Wet Well Capacity (gals)
S.W. Corner Ford Rd. & Allen				
St. Sunsites - Pearce, AZ	2	7.5	500	2000
Stand-by Back-up Pump				
220 V 3ph	1	5	200	
Stand-by 110 Volt Pump	1	5	160	

FORCE MAINS

Size	Material	Length (Feet)
4-inch		
6-inch		
8-inch	AC	1200

MANHOLES

Type	Quantity
Standard	160
Drop	

CLEANOUTS

Quantity
11

COMPANY NAME Clear Springs Utility-Sewer Division

WASTEWATER COMPANY PLANT DESCRIPTION CONTINUED

COLLECTION MAINS

Size (in inches)	Material	Length (in feet)
4		
6	AC/PVC	1225/3730
8	AC/Clay/PVC	24200/56000
10		11840
12		
15		
18		
21		
24		
30		

SERVICES

Size (in inches)	Material	Quantity
4	AC	369
6		
8		
12		
15		

FOR THE FOLLOWING FIVE ITEMS, LIST THE UTILITY OWNED ASSETS IN EACH CATEGORY

SOLIDS PROCESSING AND HANDLING FACILITIES	
DISINFECTION EQUIPMENT (Chlorinator, Ultra-Violet, Etc.)	
FILTRATION EQUIPMENT (Rapid Sand, Slow Sand, Activated Carbon, Etc.)	
STRUCTURES (Buildings, Fences, Etc.)	Fences Surrounding Sewer Ponds
OTHER (Laboratory Equipment, Tools, Vehicles, Standby Power Generators, Etc.)	Stand-by Generator Pump

COMPANY NAME	Clear Springs Utility-Sewer Division
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WASTEWATER FLOWS

MONTH/YEAR (Most Recent 12 Months)	NUMBER OF SERVICES	TOTAL MONTHLY SEWAGE FLOW	SEWAGE FLOW ON PEAK DAY
January 2003	359	2,164,620	125,850
February 2003	359	1,749,240	101,700
March 2003	360	1,923,100	111,750
April 2003	361	1,584,120	92,100
May 2003	361	1,501,560	87,300
June 2003	367	1,155,840	67,200
July 2003	367	1,127,460	65,550
August 2003	369	1,228,080	71,400
September 2003	369	1,060,380	61,650
October 2003	369	1,142,940	66,450
November 2003	369	1,736,340	100,950
December 2003	369	1,558,320	90,600

PROVIDE THE FOLLOWING INFORMATION AS APPLICABLE

Method Of Effluent Disposal (leach field, surface water discharge, reuse, injection wells, groundwater recharge, evaporation ponds, etc.)	Evaporation Pond
Wastewater Inventory Number (all wastewater systems are assigned an inventory number)	100824
Groundwater Permit Number	
ADEQ Aquifer Protection Permit Number	P100824
ADEQ Reuse Permit Number	
EPA NPDES Permit Number	

See Accountants' Report.

STATISTICAL INFORMATION

Total number of customers	369	
Total number of gallons treated	17,931,000	gallons

INCOME TAXES

For this reporting period, please provide the following:

Federal Taxable Income ReportedS-Corporation**Estimated or Actual Federal Tax Liability****State Taxable Income Reported**S-Corporation**Estimated or Actual State Tax Liability****Amount of Grossed-Up Contributions/Advances:****Amount of Contributions/Advances****Amount of Gross-Up Tax Collected****Total Grossed-Up Contributions/Advances**

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE3-22-05
DATEEzra H. Lewis
PRINTED NAMEPresident
TITLE

PROPERTY TAXES

Amount of actual property taxes paid during Calendar year 2004 was \$ 3,205

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

MAR 25 2005

**VERIFICATION
STATE OF**

Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)

Pima

AZ Corporation Commission
Director Of Utilities

NAME (OWNER OR OFFICIAL) TITLE

Ezra H. Lewis—President

COMPANY NAME

Clear Springs Utility Company—Sewer Division

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2004

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2004 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 45,367

**(THE AMOUNT IN THE BOX ABOVE
INCLUDES \$ 3,911
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

22ND

DAY OF

COUNTY NAME

PIMA

MONTH

MARCH

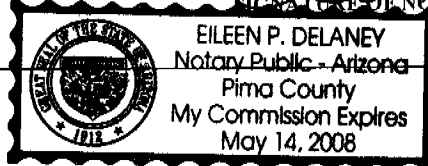
2005

(SEAL)

MY COMMISSION EXPIRES

May 14, 2008

Eileen P. Delaney
SIGNATURE OF NOTARY PUBLIC



**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

RECEIVED

MAR 25 2005

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

(COUNTY NAME) Pima	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE President
COMPANY NAME Clear Springs Utility Company—Sewer Division	

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH 12	DAY 31	YEAR 2004
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HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS. PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2004 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 46,188

(THE AMOUNT IN BOX AT LEFT

INCLUDES **\$ 2,573**

IN SALES TAXES BILLED, OR COLLECTED)

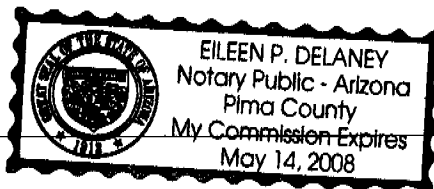
***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

**SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS**

22nd DAY OF

**(SEAL)
MY COMMISSION EXPIRES
MAY 14, 2008**



TELEPHONE NUMBER

NOTARY PUBLIC NAME EILEEN P. DELANEY	
COUNTY NAME PIMA	
MONTH MARCH	YEAR 2005


SIGNATURE OF NOTARY PUBLIC

MARSHA BONHAM
COCHISE CO TREASURER
P O BOX 1778
BISBEE AZ 85603

TAX ROLL NUMBER 111936
PARCEL IDENTIFICATION 981-52-270T 7
TAX AREA CODE 2270

CLEAR SPRINGS UTILITY CO RECEIPT REQUESTED ☒
PO BOX 85160
TUCSON AZ 85754

*IF TOTAL TAX DUE IS \$100.00 OR LESS FULL AMOUNT IS DUE NOW.
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

2003 2ND HALF COUPON

TO PAY 2ND HALF	PAY	1,625.50
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NOTE: 2nd HALF TAXES DELINQUENT AFTER MAY 1, 2004



0298152270207200300000001625

DOR Form PTXBL (4/2003)

1304

CLEAR SPRINGS UTILITY CO. INC.
SEWER DIVISION

P. O. BOX 85160 520-623-5172
TUCSON, AZ 85754

WELLS FARGO BANK
TUCSON, AZ 85745
91-527/1221

4/28/2004

PAY TO THE ORDER OF Marsha Bonham - Cochise County Treasurer

\$ **1,625.50

One Thousand Six Hundred Twenty-Five and 50/100***** DOLLARS

Marsha Bonham - Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85603

MEMO Parcel ID: 981-52-270T 7, 2nd Half 2003

AUTHORIZED SIGNATURE

1100130411 11221052781029182238511

SECURITY FEATURES INCLUDED. DETAILS ON BACK

1304

CLEAR SPRINGS UTILITY CO. INC./SEWER DIVISION
Marsha Bonham - Cochise County Treasurer

4/28/2004

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
04/06/2004	Bill	2nd Half 2003	1,625.50	1,625.50		1,625.50
				Check Amount		1,625.50

PLEASE RETURN THIS PORTION WITH PAYMENT TO:

MARSHA BONHAM
COCHISE CO TREASURER
P O BOX 1778
BISBEE AZ 85603

TAX ROLL NUMBER 113027
PARCEL IDENTIFICATION 951-52-270 4
TAX AREA CODE 2270

CLEAR SPRINGS UTILITY CO
P O BOX 85160
TUCSON AZ 85754

RECEIPT REQUESTED ☒

PLEASE RETURN
BOTH COUPONS
WHEN PAYING
FULL YEAR TAX

*IF TOTAL TAX DUE IS \$108.00 OR LESS FULL AMOUNT IS DUE NOW.
SEE PAYMENT INSTRUCTIONS ON REVERSE SIDE OF NOTICE.
ENTER ADDRESS CORRECTION ON THE BACK OF THIS COUPON.

2004 1ST HALF COUPON

TO PAY 1ST HALF ONLY	PAY	1,579.01
TO PAY FULL YEAR TAX	PAY	3,158.02

NOTE: 1st HALF TAXES DELINQUENT AFTER NOV 1, 2004



0295152270004200400000157901

1339

CLEAR SPRINGS UTILITY CO. INC.
SEWER DIVISION

P O BOX 85160 520-623-5172
TUCSON, AZ 85754

WELLS FARGO BANK
TUCSON, AZ 85745
91-527/1221

9/29/2004

PAY TO THE
ORDER OF

Marsha Bonham - Cochise County Treasurer

\$ **1,579.01

One Thousand Five Hundred Seventy-Nine and 01/100

DOLLARS

Marsha Bonham - Cochise County Treasurer
PO Box 1778
Bisbee, AZ 85603

MEMO

1st Half Prop. tax 2004, Parcel ID: 951-52-270 4

AUTHORIZED SIGNATURE

11001339 1122105278102918223850

SECURITY FEATURES INCLUDED. DETAILS ON BACK

1339

CLEAR SPRINGS UTILITY CO. INC./SEWER DIVISION
Marsha Bonham - Cochise County Treasurer

9/29/2004

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
09/23/2004	Bill	951-52-270 4	1,579.01	1,579.01		1,579.01
				Check Amount		1,579.01

HOLM, HESTAND & VALENZUELA, CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3131 NORTH COUNTRY CLUB ROAD, SUITE 109

TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA

EMMA K. HESTAND, CPA

JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8

FAX: (520) 795-5

E-MAIL: HHVCPA@EARTHLINK.I

COMPILATION ENGAGEMENT REPORT

We have compiled the balance sheets of Clear Springs Utility Company--Sewer Division as of December 31, 2004 and 2003, and the related comparative statements of income and expense for years then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission--Utilities Division information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Holm, Hestand, Valenzuela CPAs P.C.

February 18, 2005